



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: September 20, 2006

REPORT NO.: RA-06-39
HA-06-016
RTC-06-117

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Honorable Chair and Members of the Housing Authority
Council President and City Council
Docket of September 26, 2006

SUBJECT: Termination of the San Diego Model School Development Agency

REQUESTED ACTION:

Should the City of San Diego, its Redevelopment Agency and its Housing Authority authorize the dissolution of the San Diego Model School Development Agency and transfer any work product that has been received by the San Diego Model School Development Agency to the Redevelopment Agency?

STAFF RECOMMENDATION TO THE REDEVELOPMENT AGENCY:

Authorize the dissolution of the San Diego Model School Development Agency and transfer any work product that has been received by the San Diego Model School Development Agency to the Redevelopment Agency.

STAFF RECOMMENDATION TO THE HOUSING AUTHORITY:

Authorize the dissolution of the San Diego Model School Development Agency and transfer any work product that has been received by the San Diego Model School Development Agency to the Redevelopment Agency.

STAFF RECOMMENDATION TO THE CITY COUNCIL:

Authorize the dissolution of the San Diego Model School Development Agency and transfer any work product that has been received by the San Diego Model School Development Agency to the Redevelopment Agency.

SUMMARY:

The San Diego Model School Development Agency (SDMSDA) was created in July 2002 out of a desire to replace the loss of housing due to the construction of new schools in City Heights. It was also envisioned that the addition of a new school could serve as a cornerstone in the community and could act as a catalyst for further public and private reinvestment.

The SDMSDA was formed as a collaborative partnership of the San Diego Unified School District, the City of San Diego and the City's Housing Authority and Redevelopment Agency.

The partnership was envisioned as a more efficient governmental model that could coordinate the public improvements being provided by multiple agencies and to foster relationships to serve as a foundation for future collaborative work. These relationships were formalized through the execution of a Joint Exercise of Powers Agreement between the four Agencies.

The SDMSDA has been working diligently to follow through on the vision of the Model School project. However, the project has been complicated by the complexity of the development, mixed community needs and the combination of rising development costs and a softening real estate market. On July 20, 2006, the SDMSDA Board of Directors voted to terminate negotiations with the development teams. The basis for this decision is discussed further in Attachment 1.

As a result, the Board voted to recommend that the Agency be terminated. There are a number of actions that must be taken in order to terminate the SDMSDA. These steps are discussed further in Attachment 2. However, these steps cannot be completed without proper authorization to terminate the SDMSDA by the Member Agencies.

The Joint Exercise of Powers Agreement that exists between the City of San Diego, the Housing Authority of the City of San Diego, the Redevelopment Agency of the City of San Diego and the San Diego Unified School District guides the operations of the SDMSDA, including its termination. Section 38 provides that all Members acting unanimously may terminate the JPA provided that there are no outstanding bonds or other debts or lease obligations of the Agency. This action requests that the City's three member Agencies vote to approve the termination. The San Diego Unified School District will consider the recommendation for termination on a regularly schedule meeting in September 2006.

As stated above, termination of the SDMSDA may only occur if there are no outstanding bonds, lease agreements or other debts. Currently there are no outstanding bonds or lease agreements. All debts have been paid and there is currently a total budget surplus that will be remitted back to the Agency-partners upon the closing of the financial books.

In the event that all Member Agencies adopt resolutions to terminate the SDMSDA, staff will proceed with all financial procedures to close out the SDMSDA budget; transfer all work products produced by the SDMSDA to the Redevelopment Agency; and take any other reasonable and necessary actions to terminate the Joint Powers Agreement, including making all appropriate filings.

FISCAL CONSIDERATIONS:

It is anticipated that approximately \$140,000 in programmatic funds will be remitted to the Redevelopment Agency, pursuant to a Memorandum of Understanding with the Agency.

There is currently approximately \$80,000 in unspent administrative funds. Prior to closing the financials, the level of these funds will be impacted by outstanding and ongoing commitments. It is expected that the administrative funds will be depleted modestly by 1) salaries, benefits, and overhead; 2) attorney fees; and 3) accounting costs associated with an audit to close out the FY07 budget and full accounting for a closing audit. Once these outstanding commitments have been paid and the closing audit is completed, each member agency would be reimbursed on a prorated basis according to their initial contribution.

PREVIOUS AGENCY and/or COUNCIL ACTION:

On July 20, 2006, the SDMSDA Board of Directors voted to recommend that the SDMSDA be terminated.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

The City Heights Redevelopment Project Area Committee recommended the termination of the SDMSDA at their August 14, 2006 meeting.

ALTERNATIVE:

In the event that any Member Agency or Agencies wished to continue the JPA, the Joint Exercise of Powers Agreement provides for the potential withdrawal of individual Members of the Agency in Section 39. This Section provides that any Member may withdraw from the Agency upon giving each other Member written notice thirty days prior to the end of a fiscal year. The JPA could continue to function until all but one of the Members had given notice of its withdrawal.

Respectfully submitted,

Ted Martinez, Jr.
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Officer for Neighborhood
And Customer Services

William Anderson
Assistant Executive Director/
City Planning and Community
Investment Department Director

Elizabeth C. Morris
Executive Director
Housing Authority of the
City of San Diego

Attachments:

- 1) Joint Exercise of Powers Agreement
- 2) OPA/ENA Committee Report dated July 17, 2006 (SDMSDA 06-115)
- 3) Discussion of and Procedures for Termination of the SDMSDA dated July 17, 2006 (SDMSDA 06-116)